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Method in the Madness

by Tricia Jack, MPA, CPPA

Several years ago, on my first day in a new job, my manager spent some time with me talking about my expectations. She asked me how I liked to work, how I liked to be managed and what I wanted to get from the job. She told me about her expectations as a manager. I'd never had a manager be so direct before and at the time I thought this a little odd. It was only later that I realized that, like Lord Polonius in Shakespeare's *Hamlet*, "Though this be madness, yet there is method in it."



My take on this interaction is that my new manager was establishing a psychological contract with me. The "psychological contract" is a term coined by Chris Argyris in 1960. In the management and organizational behavior arena, that's old, but it's not outdated, because the concept is still very much alive in workplaces today.

The psychological contract refers to a reciprocal perception between the employee and the employer about what is "expected" and what is "owed." The key word is "perception," because a psychological contract is not written. Thus the contract can vary greatly from employee to employee, even among those doing the same or similar jobs.

Psychological contracts are not expectations, although they can help to form expectations. Rather they are beliefs about what employees should receive based on what they perceive that their employer offers them. For example, the manager or organization is expected to treat the individual fairly, provide a safe working environment and the employee is expected to complete tasks on time and with a positive attitude.

In today's economy this contract, based on mutual trust, is becoming increasingly important. If an employee perceives that the organization or manager has failed to fulfill one or more of the "contractual obligations," trust is broken down, and this can have a negative effect on the psychological contract as a whole. When managers are personally responsible for breaches this is especially true: for example, when promised training or a promotion opportunity is not delivered. But even when external factors come into play, such as reductions in force because of economic conditions, managers may still take some blame.

When difficult situations such as budget cuts come, leaders must work to improve the trust and perhaps renegotiate the psychological contract. Thinking of this as a strategic measure is helpful. If people are *truly* perceived to be the valuable "bottom line" of an organization, their needs and expectations should be integrated into planning.

According to the Chartered Institute of Personnel and Development (CIPD) in the UK^[1], the psychological contract can have implications for organizational strategy in a number of areas, for example:

- **Process fairness:** People want to know that their interests will be taken into account when important decisions are made; they would like to be treated with respect; they are more likely to be satisfied with their job if they are consulted about change.
- **Communications:** People want to know what is going on, especially when there is rapid change. Two-way communication, both formal and informal, is essential as a method of building trust.
- **Management style:** Managers may have to adjust their ideas about what management is, so that they can draw on the strategic knowledge in employees' heads and listen to their ideas.
- **Managing expectations:** Managers may have a tendency to emphasize positive messages and play down more negative ones but

employees can usually distinguish rhetoric from reality. Managing expectations, particularly when bad news is anticipated, will increase the chances of establishing a realistic psychological contract.

- **Measuring employee attitudes:** Employers should monitor employee attitudes on a regular basis as a means of identifying where action may be needed to improve performance. But employers should only undertake surveys of employee attitudes if they are ready to act on the results.

According to CIPD, "Breach of the psychological contract can seriously damage the employment relationship. It won't always be possible to avoid a breach but employees are more likely to be forgiving where managers explain what has gone wrong and how they intend to deal with it." [2]

It may be worthwhile to spend some time figuring out just what the psychological contract means to you and your team. On the surface this may seem like a pointless, "pink and fluffy" management task, but there is method in the madness.

[1] CIPD Factsheet (2008). *The Psychological Contract*. Accessed January 8, 2009 at www.cipd.co.uk/subjects/empreltns/psycntrct/psycontr.htm

[2] Ibid.

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